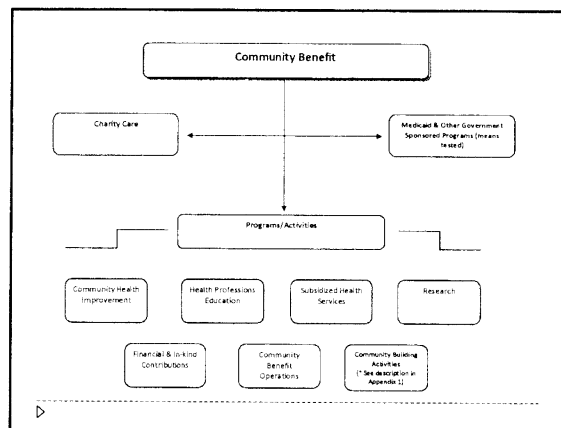


Report on Montana's Hospitals Community Benefits

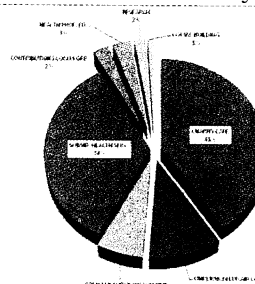
February 17th, 2012

Outline of Topics

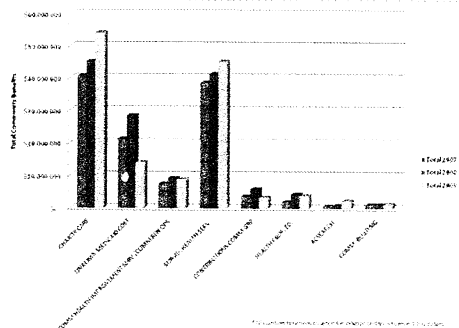
- ▶ What are the services non-profit hospitals provide that would justify the tax exemption?
 - ▶ Community Benefits, Charity Care, and Uncompensated Care
- ▶ What is the value of the tax exemption based on these services?
 - ▶ Property Tax, State Income Tax, Value of Tax Exempt Bonds
- ▶ What is the relationship of hospital foundations to the hospital itself?



Composition of Community Benefits

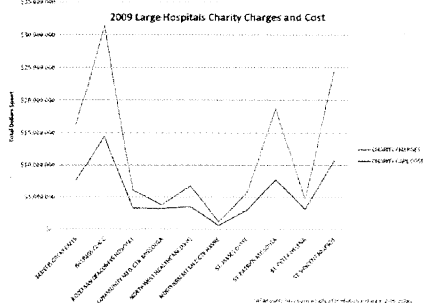


Trends in Community Benefits



Charity Care: Cost vs. Charges

Difference Between Charity Care Cost vs. Charges



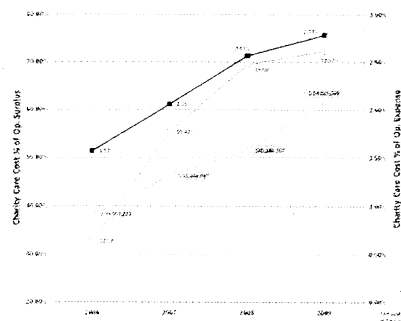
Trends in Charity Care for Large Hospitals 2006-2009

Charity Costs for 2009

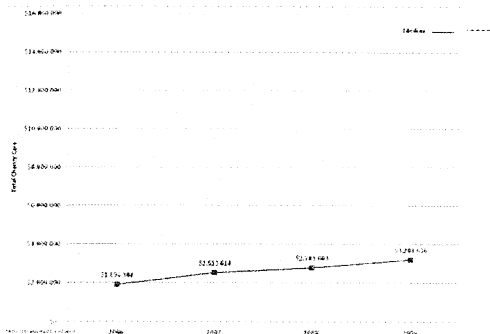
FACILITY NAME/CITY	CHARTY COSTS 2009	CHARTY CARE AS A PERCENT OF OP EXPENSE	CHARTY CARE SURPLUS
BELLINGHUE	\$ 15,956,221	3.38%	237.62%
ST. VINCENT BELLINGHUE	\$ 10,257,956	3.37%	62.41%
ST. PATRICK MISSOULA	\$ 7,768,722	3.40%	61.87%
BENNETT GREAT FALLS	\$ 7,726,439	2.89%	49.74%
NORTHWEST HEALTHCARE KALISPELL	\$ 5,575,365	3.68%	215.21%
BOZEMAN DEACONS	\$ 3,185,403	2.79%	40.74%
COMMUNITY MED. CTR. MISSOULA	\$ 2,618,610	3.11%	156.84%
ST. PETER HELENA	\$ 2,338,727	2.58%	83.95%
ST. JAMES BUTTE	\$ 2,899,220	3.43%	7
NORTHERN MEMORIAL CENTER HAUTE	\$ 560,742	3.35%	52.20%
Total/Median	\$ 57,493,329	2.99%	82.61%
2008 Total/Median	\$ 48,006,548	2.57%	69.50%
HOLY ROSARY HALES CITY	\$ 1,547,814	4.59%	
SONEY HEALTH CENTER	\$ 1,493,983	3.21%	
NORTH VALLEY WHITEFISH	\$ 938,398	2.89%	
FRANCIS HANCOCK/CLARK GLASSBORO	\$ 524,894	1.08%	20.84%
ST. JOSEPH POLSON	\$ 513,674	2.03%	167.66%
MARCUS DAILY MEMORIAL HAMILTON	\$ 483,344	2.95%	
CLIMBSTER HEALTHCARE	\$ 448,114	3.36%	102.27%
GLINDOLE MEDICAL CENTER	\$ 413,428	3.37%	50.51%
ST. JOHN'S LUTHERAN LIBERTY	\$ 405,402	1.74%	30.48%
CENTRAL MEMORIAL CENTER JAMES RIVER	\$ 371,268	1.44%	68.11%
COMMUNITY OF ANACONDA	\$ 295,235	1.51%	24.96%
ST. LUKE COMMUNITY NORMAN	\$ 195,172	0.98%	10.19%
2008 Total/Median	\$ 4,855,341	1.99%	40.89%
2008 Total/Median	\$ 4,995,177	1.32%	22.16%

*Amounts shown are from most recent report and have not been adjusted for inflation

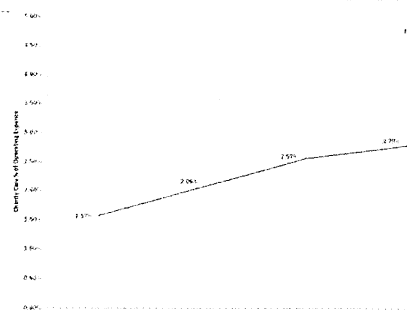
Large Hospitals Trends in Charity Care



Large Hospital Trends in Total Charity Care



Large Hospital Trends in Charity Care as a % of Operating Expense



Changes in Charity Care Policies and Approvals

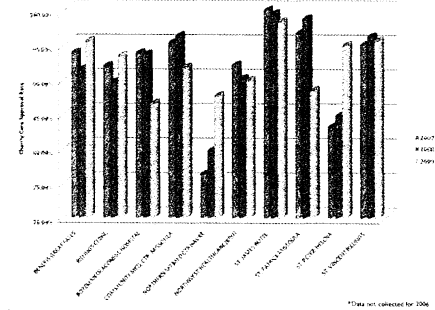
Changes in Charity Care Policies Large Hospitals

FACILITY NAME/CITY	%PG CHARITY BEGINS 2006	% PG CHARITY BEGINS 2009	% PG FOR FULL WRITE OFF 2006	% PG FOR FULL WRITE OFF 2009
BENEFIS GREAT FALLS	200%	220%	150%	220%
BILLINGS CLINIC	300%	300%	110%	300%
BOZEMAN DEACONESS	200%	250%	100%	250%
COMMUNITY MED. CTR. MISSOULA	300%	300%	200%	300%
NORTHWEST HEALTHCARE KALISPELL	200%	300%	125%	300%
NORTHERN MT MED CTR HAVER	200%	200%	100%	200%
ST. JAMES BUTTE	400%	400%	200%	400%
ST. PATRICK MISSOULA	400%	400%	200%	400%
ST. PETER HELENA	200%	250%	125%	250%
ST. VINCENT BILLINGS	400%	400%	200%	400%
AVERAGE	280%	302%	151%	302%

Changes in Charity Care Policies Small Hospitals

FACILITY NAME/CITY	%PG CHARITY BEGINS 2006	% PG CHARITY BEGINS 2009	% PG FOR FULL WRITE OFF 2006	% PG FOR FULL WRITE OFF 2009
CENTRAL MT MED. CENTER LEWISTOWN	300%	300%	150%	150%
COMMUNITY OF ANACONDA	200%	200%	100%	100%
FRANCIS MAHON DEAC. GLASGOW	175%	200%	100%	100%
GLENDIVE MEDICAL CENTER	200%	200%	100%	100%
HOLY ROSARY MILES CITY	400%	400%	200%	200%
LIVINGSTON HEALTHCARE	200%	200%	100%	100%
MARCUS DALY MEMORIAL HAMILTON	200%	200%	100%	100%
NORTH VALLEY WHITEFISH	200%	200%	50%	100%
SIDNEY HEALTH CENTER	175%	175%	100%	100%
ST. JOHN'S LUTHERAN LIBBY	200%	200%	100%	100%
ST. JOSEPH POLSON	400%	400%	200%	200%
ST. LUKE COMMUNITY RONAN	300%	300%	150%	150%
AVERAGE	246%	248%	121%	125%

Trends in Charity Care Application Approval Rate Large Hospitals



Trends in Charity Care Approval Rate Large Hospitals

Value of Tax Exemption

Calculation of Tax Exemption

- + Federal Income Tax
- + State Income Tax
- + Estimated Property Tax
- + Tax Exempt Bond Value

= Value of the Tax Exemption

Value of Federal Tax Exemption

FACILITY NAME/CITY	OPERATING INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	ESTIMATED PROPERTY TAX	TAX EXEMPT BOND VALUE	TAX EXEMPTION
BENEFIT GREAT FALLS	\$ 3,532,440	\$ 3,276,964	\$ 651,432	\$ 2,061,818	\$ 1,736,019	\$ 9,766,233
BILLINGS CLINIC	\$ 4,876,174	\$ 3,855,839	\$ 236,965	\$ 2,558,165	\$ 1,999,843	\$ 6,371,454
BOZEMAN DEACONESS	\$ 8,045,301	\$ 2,742,202	\$ 359,309	\$ 18,195	\$ 743,886	\$ 3,883,502
COMMUNITY MED. CTR. MISSOULA	\$ 2,857,589	\$ 1,295,182	\$ 131,763	\$ 75,828	\$ 195,094	\$ 1,608,265
NORTHWEST HEALTHCARE KALISPELL	\$ 2,642,458	\$ 158,493	\$ 73,379	\$ 118,638	\$ -	\$ 643,331
NORTHERN MT MED. CTR. HAILE	\$ 1,213,146	\$ 419,338	\$ 54,940	\$ 177	\$ -	\$ 474,462
ST. JAMES BUTTE	\$ (2,408,615)	\$ (819,938)	\$ (107,305)	\$ 3,518	\$ -	\$ (922,723)
ST. PATRICK MISSOULA	\$ 2,330,337	\$ 428,417	\$ 538,503	\$ 75,726	\$ 743,846	\$ 6,322,143
ST. PETER HELENA	\$ 3,791,518	\$ 1,280,332	\$ 168,917	\$ 26,011	\$ 644,358	\$ 2,324,446
ST. VINCENT BILLINGS	\$ 17,103,274	\$ 9,814,773	\$ 761,906	\$ 1,603,152	\$ -	\$ 8,179,831
CENTRAL MT MED. CENTER LEWISTOWN	\$ 42,040	\$ 24,294	\$ 1,875	\$ 13,441	\$ 31,082	\$ 60,890
COMMUNITY OF ANACONDA	\$ 1,197,459	\$ 407,159	\$ 53,147	\$ 1,943	\$ -	\$ 462,430
FRANCIS MARION DEAC. GLASGOW	\$ 2,238,342	\$ 863,037	\$ 113,083	\$ 25,187	\$ 20,605	\$ 1,023,913
GLIENDE MEDICAL CENTER	\$ 853,817	\$ 282,481	\$ 10,011	\$ 12,496	\$ 403,478	\$ 759,472
HOLY ROSARY MILES CITY	\$ (3,147,483)	\$ (1,670,137)	\$ (40,219)	\$ 46,070	\$ -	\$ (2,164,287)
LEWISTOWN HEALTHCARE	\$ 431,935	\$ 147,531	\$ 19,331	\$ 20,550	\$ -	\$ 187,232
MARKUS DENT MEMORIAL HAMILTON	\$ (835,714)	\$ (115,433)	\$ (15,328)	\$ 123,333	\$ 129,358	\$ 121,308
NORTH VALLEY WHITEFISH	\$ (848,566)	\$ (210,577)	\$ (8,894)	\$ 208,840	\$ -	\$ (142,566)
SINITY HEALTH CENTER	\$ (2,081,306)	\$ (712,044)	\$ (93,168)	\$ 1,191	\$ 351,780	\$ (449,242)
ST. JOHN'S LUTHERAN LIBRY	\$ 1,150,231	\$ 452,279	\$ 59,262	\$ 8,869	\$ -	\$ 518,407
ST. JOSEPH POLSON	\$ 309,903	\$ 109,384	\$ 11,808	\$ 5,103	\$ 134,476	\$ 359,479
ST. LUKE COMMUNITY ROMAN	\$ 3,916,175	\$ 851,820	\$ 85,368	\$ 9,314	\$ 297,454	\$ 1,037,953

*Values from 2009 Report. Have not been adjusted for inflation.

Community Benefits vs. Value of Tax Exemption- Federal

FACILITY NAME/CITY	COST OF ALL COMMUNITY BENEFIT	VALUE TAX EXEMPTION	BENEFIT % TAX EXEMPTION
BILLINGS CLINIC	\$ 11,515,078	\$ 6,371,454	44.9%
ST. VINCENT BILLINGS	\$ 21,554,451	\$ 8,179,831	28.1%
ST. PATRICK MISSOULA	\$ 18,018,035	\$ 6,322,143	23.9%
ST. PETER HELENA	\$ 14,198,813	\$ 2,324,446	60.9%
BENEFIT GREAT FALLS	\$ 14,845,842	\$ 9,766,233	75.0%
BOZEMAN DEACONESS	\$ 11,197,206	\$ 3,883,502	33.0%
NORTHWEST HEALTHCARE KALISPELL	\$ 15,936,077	\$ 643,331	17.0%
COMMUNITY MED. CTR. MISSOULA	\$ 7,862,378	\$ 1,608,265	54.0%
ST. JAMES BUTTE	\$ 7,158,892	\$ (922,723)	-
NORTHERN MT MED. CTR. HAILE	\$ 4,515,796	\$ 474,462	91.0%
TOTAL	\$ 141,514,190	\$ 18,263,088	41.5%
2009 TOTAL/MIDIAN	\$ 145,480,248	\$ 19,081,093	18.1%
SINITY HEALTH CENTER	\$ 4,384,111	\$ (449,242)	-
MARKUS DENT MEMORIAL HAMILTON	\$ 2,232,772	\$ 121,308	54.7%
HOLY ROSARY MILES CITY	\$ 3,534,491	\$ (2,164,287)	-
FRANCIS MARION DEAC. GLASGOW	\$ 2,711,022	\$ 1,023,913	28.8%
GLIENDE MEDICAL CENTER	\$ 2,846,057	\$ 759,472	51.9%
COMMUNITY OF ANACONDA	\$ 2,730,482	\$ 462,430	50.4%
NORTH VALLEY WHITEFISH	\$ 2,461,587	\$ (142,566)	-
LEWISTOWN HEALTHCARE	\$ 645,543	\$ 187,232	14.4%
ST. JOHN'S LUTHERAN LIBRY	\$ 808,148	\$ 518,407	77.7%
ST. JOSEPH POLSON	\$ 354,483	\$ 359,479	100.0%
ST. LUKE COMMUNITY ROMAN	\$ 523,808	\$ 1,037,953	100%
CENTRAL MT MED. CENTER LEWISTOWN	\$ 456,186	\$ 60,890	79.3%
TOTAL	\$ 213,521,488	\$ 7,795,793	3.44%
2009 TOTAL/MIDIAN	\$ 218,871,814	\$ 8,957,214	30.7%

*Facility had no operating or total loss.

*Values from 2009 report, not adjusted for inflation.

Charity Care vs. Value of Tax Exemption- Federal

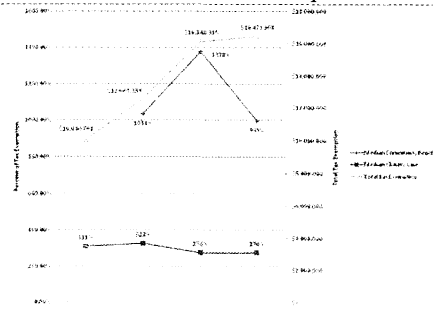
FACILITY NAME/CITY	COST OF ALL CHARITY CARE	VALUE TAX EXEMPTION	CHARITY CARE COST % TAX EXEMPTION
NORTHWEST HEALTHCARE KALISPELL	\$ 5,335,180	\$ 643,331	55.0%
COMMUNITY MED. CTR. MISSOULA	\$ 3,219,833	\$ 1,608,265	22.9%
ST. PATRICK MISSOULA	\$ 14,506,721	\$ 6,322,143	27.7%
ST. PETER HELENA	\$ 1,108,727	\$ 2,324,446	14.5%
NORTHERN MT MED. CENTER HAILE	\$ 841,747	\$ 474,462	35.5%
ST. VINCENT BILLINGS	\$ 10,927,598	\$ 8,179,831	13.1%
ST. PATRICK MISSOULA	\$ 7,768,725	\$ 6,322,143	12.7%
BOZEMAN DEACONESS	\$ 2,185,401	\$ 3,883,502	8.5%
BENEFIT GREAT FALLS	\$ 7,722,419	\$ 9,766,233	7.9%
ST. JAMES BUTTE	\$ 2,999,400	\$ (922,723)	-
HOLY ROSARY MILES CITY	\$ 1,547,814	\$ (2,164,287)	-
SINITY HEALTH CENTER	\$ 1,395,980	\$ (449,242)	-
NORTH VALLEY WHITEFISH	\$ 218,296	\$ (142,566)	-
FRANCIS MARION DEAC. GLASGOW	\$ 518,594	\$ 1,023,913	52%
ST. JOSEPH POLSON	\$ 319,474	\$ 359,479	77.7%
MARKUS DENT MEMORIAL HAMILTON	\$ 463,144	\$ 121,308	28.2%
LEWISTOWN HEALTHCARE	\$ 448,112	\$ 759,472	79.9%
GLIENDE MEDICAL CENTER	\$ 419,826	\$ 733,472	57%
ST. JOHN'S LUTHERAN LIBRY	\$ 405,403	\$ 518,407	78%
CENTRAL MT MED. CENTER LEWISTOWN	\$ 272,148	\$ 60,890	61.0%
COMMUNITY OF ANACONDA	\$ 195,212	\$ 462,430	65%
ST. LUKE COMMUNITY ROMAN	\$ 195,177	\$ 1,037,953	19%

*Facility had operating loss.

*Values from 2009 report and are not adjusted for inflation.

Trends in Value of State Tax Exemption

Trends in Community Benefit and Charity Care as a % of Tax Exemption



Uncompensated Care

$$\begin{aligned} &\text{Uncompensated Care} \\ &= \\ &(\text{Charity Care} + \text{Bad Debt}) \end{aligned}$$

▷

Hospital Foundations

- ▶ Does any money from the hospital, fund the foundation?

▷

Community Benefit Definitions

Charity Care:

The cost of free or discounted services provided to persons who meet the organization's criteria for financial assistance and are thereby deemed unable to pay for all or a portion of the services. Charity care does not include bad debts or uncollectable charges.

Community Benefit Operations:

The cost of activities associated with community health needs assessments as well as community benefit planning and administration. Community benefit operations also include the organization's activities associated with fundraising or grant-writing for community benefit programs.

Community Building:

These are the costs of activities and programs that address the root causes of health problems such as poverty, homelessness and environmental problems. Examples include housing rehabilitation, economic development projects, community leadership development, and child care for residents with qualified need. *Note that although the IRS does not count community building costs as community benefit, we continue to include them in our analysis of Montana hospitals because these programs address the underpinnings of the health status of the community.

Community Health Improvement Services:

The costs of activities or programs carried out or supported for the express purpose of improving community health that are subsidized by the healthcare organization. Such services do not generate inpatient or outpatient bills, although there may be a nominal patient fee or sliding scale fee for these services.

Contributions to Community Groups:

The cost of contributions made by the organization to health care organizations and other community groups restricted to one or more of the community benefit activities.

Health Professional Education:

The cost of educational programs that result in a degree, certificate, or training necessary to be licensed to practice as a health professional, as required by state law, or continuing education necessary to retain state license or certification by a board in the individual's health profession specialty. It does not include education or training programs available exclusively to the organization's employees and medical staff or scholarships provide to those individuals.

However, it does include education programs if the primary purpose of such programs is to educate health professionals in the broader community.

Research:

The cost of any study or investigation the goal of which is to generate generalizable knowledge made available to the public such as knowledge about underlying biological mechanisms of health and disease, natural processes, or principles affecting health or illness; evaluation of safety and efficacy of interventions for disease such as clinical trials and studies of therapeutic protocols; laboratory-based studies; epidemiology, health outcomes, and effectiveness; behavioral or sociological studies related to health, delivery of care, or prevention; studies related to changes in the health care delivery system; and communication of findings and observations, including publication in a medical journal. The organization may include the cost of internally funded research it conducts as well as the cost of research it conducts funded by a tax-exempt or government entity.

Subsidized Health Services:

The cost of clinical services provided despite a financial loss to the organization. In order to qualify as a subsidized health service, the organization must provide the service because it meets an identified community need. A service meets an identified community need if it is reasonable to conclude that if the organization no longer offered the service, the service would be unavailable in the community, the community's capacity to provide the service would be below the community's need, or the service would become the responsibility of government or another tax-exempt organization.

Unreimbursed Medicaid:

The unpaid costs of Medicaid and other public programs (such as State Health Insurance Program- SCHIP) for low-income persons. This is the loss created when the payments from these programs are less than the costs of caring for beneficiaries of these programs.